

Facilitating a better future



LMA OPERATIONAL RESILIENCE WORKING GROUP

IBS Selection Criteria and Scoring

July 2021

Background

The LMA Operational Resilience Working Group published a set of 'core' IBS' with the expectation that they are likely to form common IBS' across all Managing Agents. Until now, that IBS mapping document did not have any accompanying selection criteria or rationale to explain how that core group was arrived at. This document provides that level of detail. In providing this rationale, it should be noted that:

- Managing Agents should perform their own scoring exercises, the scoring shown in this document are illustrative of how the Working Group arrived at the core list
- Firms are likely to have supporting services which in themselves are not IBS', an example of this is Premium Allocation, which is borderline shown in the example as scoring 12 and therefore on the threshold (No. 8)
- Some Managing Agents may find they have extra services, such as a cyber policy providing Breach Response which may be IBS' in its own right, or may be considered a supporting service depending on the scoring. In our example this is shown as a Claims service (No. 7)
- Where a service has no external or customer touchpoints they may still form part of other services and are supporting or enabling IBS'. These enablers can be specifically called out in the assessment for the internal processes that support the IBS' which should be in the mapping

The 13 factors to consider in selecting an IBS

Some of the factors stipulated by the regulator have been struck-through (not applicable) in the list below because all Managing Agents are below the threshold required (£15bn premium) that the regulator has stipulated as that which the functioning of the UK financial system can be affected. The regulator has said that the Lloyd's market overall is impacted by the threshold, however this is not a consideration for individual Managing Agents

1. The nature of the client base, including any vulnerabilities that would make the person more susceptible to harm from a disruption.
2. The ability of clients to obtain the service from other providers (substitutability, availability and accessibility).
3. The time criticality for clients receiving the service.
4. The number of clients to whom the service is provided.
5. The sensitivity of data held.
- ~~6. Potential to inhibit the functioning of the UK financial system.~~
- ~~7. The firm's potential to impact the soundness, stability or resilience of the UK financial system.~~
8. The possible impact on the firm's financial position and potential to threaten the firm's viability where this could harm the firm's clients or pose a risk to the soundness, stability or resilience of the UK financial system or the orderly operation of the financial markets.
9. The potential to cause reputational damage to the firm, where this could harm the firm's clients or pose a risk to the soundness, stability or resilience of the UK financial system or the orderly operation of the financial markets.
10. Whether disruption to the services could amount to a breach of a legal or regulatory obligation.
11. The level of inherent conduct and market risk.
12. The potential to cause knock-on effects for other market participants, particularly those that provide financial market infrastructure or critical national infrastructure
- ~~13. The importance of that service to the UK financial system, which may include market share, client concentration and sensitive clients.~~

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